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# Some Thoughts on Our Shipping Policy

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THE question of the nation's policy with regard to shipping is not for the Shipping Board to decide. The Board may make recommendations. It may state opinions, deduced from its studies or from its experience. But the formulation of a policy rests with Congress, and it is for Congress to say whether the large and growing merchant fleet shall be operated by the government or by individuals as agents or lessees of the government, or as purchasers from the government. The Board is a branch of the executive power, and under the directions of a statute passed by Congress has called into being a strictly emergency fleet. The total number of vessels constructed, equipped and put into service under the Board's direction from August 1, 1917, until November 23, 1918, was 519 vessels, of a total tonnage of 2,867,000. The additional vessels which have since been delivered into service will bring the total of new construction up to approximately 3,300,000 tons by January 1, 1919.

## THE SUCCESS OF AMERICAN SHIPBUILDING

The grim necessities under which this task was undertaken have been met. The effort of the enemy, with its indiscriminate program of sinking merchant vessels, has come to naught. Its effort to paralyze communication between the Allied nations failed. This failure has been largely the result of America's great contribution to the world's successful effort to construct and restore tonnage faster than it could be destroyed.

A fair appraisal of this success can be made only if the fact is kept in mind that shipbuilding and ship management had become almost an alien industry to our people. So blind and ill-informed had been the course of legislation in this country for sixty years that America's proportion of her own foreign commerce, carried in her own ships, fell from a percentage in excess of 90 to 8 $\frac{2}{3}$  per cent shortly prior to the outbreak of the European war. When the great crisis overtook us, we were confronted by

the necessity of creating, on an unprecedented scale, a new industry. We built the best ships we could, in size and type, with the ever-present duty before us of making everything subservient to quantity and speed in production.

The armistice found the shipyards of this country rapidly growing in efficiency and in the rate of output. We were making shipbuilders as well as ships. We were approaching the peak of production. And now, with the passage of the great emergency, we are in a position to take an inventory of what has been done, and to review and in some respects recast our program to meet the criteria of sound business and of competitive operation, instead of considering solely the emergency and the stern but simple measures necessary to cope with it.

Our ships are of good design, the greater number of them of sufficient carrying capacity and speed to make them highly efficient instruments of commerce. It is true, however, that we have built a considerable number of ships of relatively small carrying capacity, whose utility in commerce is qualified by that fact. These smaller vessels can be used advantageously only in coastal or insular trades where their carrying capacity will not be greatly reduced by fuel carrying necessities. In addition to the ships completed, upwards of 12,000,000 tons of shipping are either on the ways, far advanced toward completion, or under contracts which cannot be cancelled except at a great sacrifice of values. What shall be done with this fleet? Although it is authorized as an emergency fleet, it is a merchant fleet none the less, of important extent at present, and of very much greater dimensions in prospect.

I have a personal opinion on the subject. It is the reflection of opinions entertained by many men who have given their lives to the study of shipping problems, and who have achieved large success in shipping operation. I do not, however, offer it as an official expression, but it is high time that sober thought is directed to the subject, and what I say may aid in crystallizing a sound public opinion.

#### SHALL WE HAVE GOVERNMENT OPERATION?

My personal view is against government operation of our merchant fleet. The business of ship management, the expert grasp of domestic and overseas market conditions, the shrewd sense of

trade, presuppose personal initiative and require individual enterprise. A public administrative body could hardly meet such requirements on a small scale, much less on the unprecedented scale that operation would assume if applied to our large and growing national marine.

It has been suggested that the government operate its merchant marine for a limited period, availing itself of the high freights which the war has established and which will not instantly decline to normal levels now that active military operations have ceased. The theory underlying this suggestion is that the government can in that way amortize the excessive war costs of construction and reduce the value of its fleet to a point within the resources of prospective purchasers, and to a level more nearly approaching post-war commercial costs than the high book cost which our ships represent at the moment. This proposal has logic and some measure of attraction. But I incline to the opinion that a failure to achieve the larger commercial objectives through such an extension of the period of government operation would more than counterbalance, by its indirect losses, the immediate gains through government operation. The management of a ship, the selection of cargo, the hunt for markets, the study of customers' wants, the nice calculation of loss and gain, the intricate problems of routing, with the delicate interrelation of all these factors, demand as an indispensable factor in the right solution of our shipping problem, the element of personal ambition and individual interest.

There is still an important government function which nothing can supplant. We should both build and operate, but not as a general policy; merely in my opinion as a stabilizing and contributory function in the upbuilding of our merchant marine. We should build a substantial number of ships, with the view of stabilizing work in our shipyards, and bringing about that sustained and steady demand for tonnage of standard type that would enable our shipbuilders to reach the low costs without which the industry cannot be kept alive, and incidentally attaining that proficiency in the craft of shipbuilding which is a vital element in the problem of costs.

As to operation, the government may well undertake the pioneering for new trades, and by its own operations, pursued

judiciously and not in any sense competitively with our own ship-owners, establish regular lines for freight, with fixed schedules of sailings. This work, in fact, the government must undertake, to a large extent absorbing the initial cost, which will be justified by the large benefits flowing to the nation's trade as a whole.

Only when the nation's shipping is recognized as a national asset, not the exclusive concern of any one section of the country nor a source of enrichment to any special class, will we approach this problem with enlightenment. The test of any policy is not the profitableness of the immediate operation, but the benefit to the nation's trade and commerce as a whole. The merchant marine is the delivery system of the nation's business, and our shipping policy must seek its vindication in the widening of our commercial field, in the multiplication and diversity of our undertakings, and in the deepening of the foundations of our national prosperity.